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Charging More for Your Expertise

Day 2: Mindsets around Value Capture

Jason Liu, Dec 11th 2024

Agenda

Day 2 overview

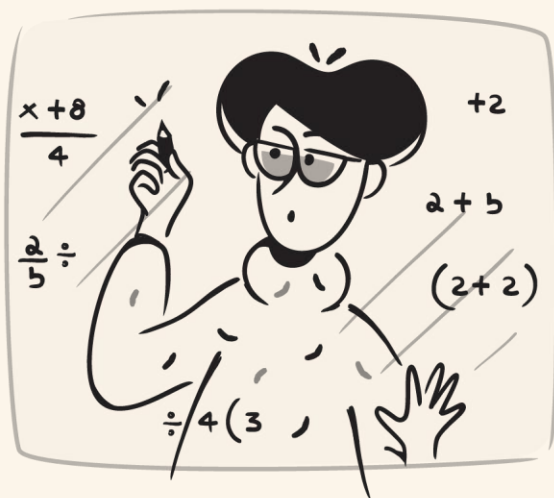
Business fundamentals: What you learn from hiring for your business

Move up the hierarchy: From budget item to ROI

Orient sales and content toward The Value Equation

Example: Sean's story

Office hours



It's not about technical skills or domain expertise



It's about VALUE

Hot Take:

Not giving your clients an **option** to pay you more money is an unforced error



Learn from my Mistakes: Avoid the “hourly rate trap”

- You undercharge for your services even though they’re valuable
 - Because **you think about value all wrong**
- You focus on inputs rather than outcomes



Today, we're going to cover three critical areas that will transform how you think about and capture value:

Fundamental mindset shift towards value



Business fundamentals

Infrastructure to run consulting practice to create a foundation that lets you focus on high-value work.

Move up the hierarchy: From budget item to ROI

Re-wire your thinking about price and value

Orient sales towards the value equation

How to have conversations that:

- Uncover true value
- Position you as a strategic partner rather than just another contractor.

Before we dive in, I want you to think about your last client engagement.

Did you know exactly what was at stake for them?



Did you understand the real value of solving their problem?

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If you're serious about consulting, I recommend hiring three key people:

- A. **General Counsel:** They can help review contracts.
- B. **Accountant or CPA:** Being tax-efficient is a great aspect of running a business. You can invest in ways a salaried person cannot.
- C. **Executive Assistant (EA):** As you find more success, you'll realize that a lot of your time will change, especially when transitioning from hourly billing to value-based pricing



You will need to hire:



Hiring a big team from
the Philippines

@jxnico

Ask for a referral:
Do you know anyone who can be an
EA five to six hours a week?



Reaching out to your
network



Twitter



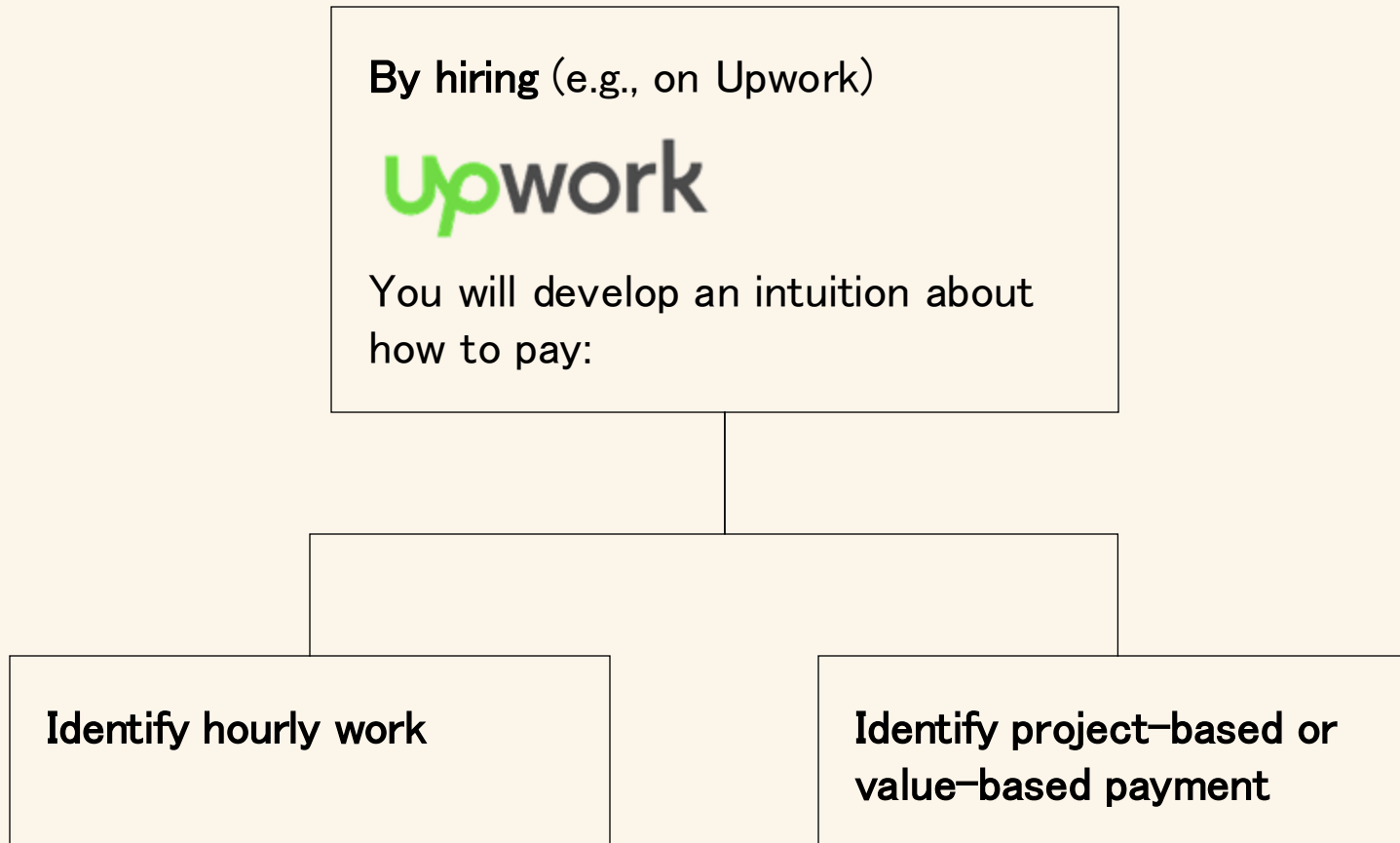
LinkedIn

You will realize immediately

- The easiest way of getting customers is through referrals
- This is the first thing you'll do...

LearnIndieConsulting.com

I generally recommend gaining experience by hiring people from platforms like Upwork or similar sites



This hiring experience will provide valuable insight into what the other side looks like.

This is primarily because you are in the same position.



The sooner you start taking monetary bets on yourself, the more you'll understand what the other side is experiencing.

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Time vs. Value Hierarchy



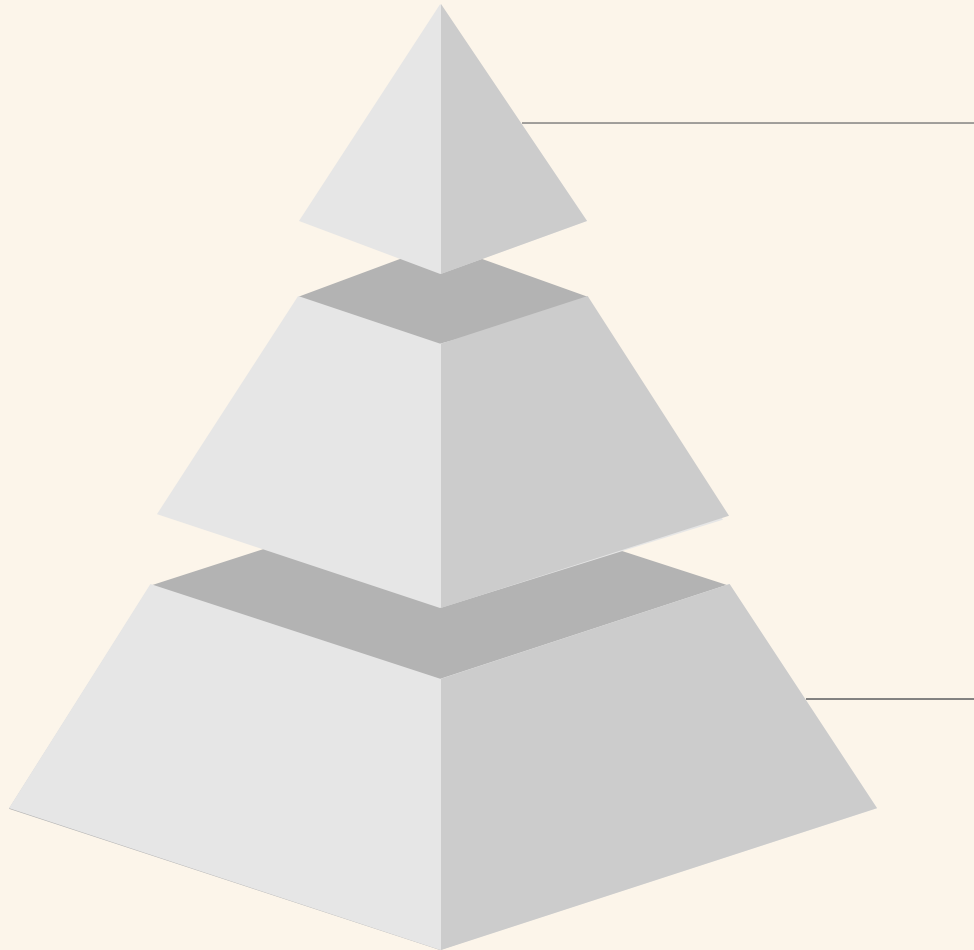
“Value” and “ROI”

- Pricing on outputs (What is the return?)
- Focus on **investment**
- It’s about “how can I trade money for time” (e.g., can I save my team time by making this investment)

“Time” and “budget”

- Pricing on inputs (hrs spent)
- Focus on **costs**
- It’s about “how much is your time worth”

Time vs. Value Hierarchy



Capital allocators focus on Value

CEO responsibilities:

- Control the budget, funding, investments
- Focus on ROI

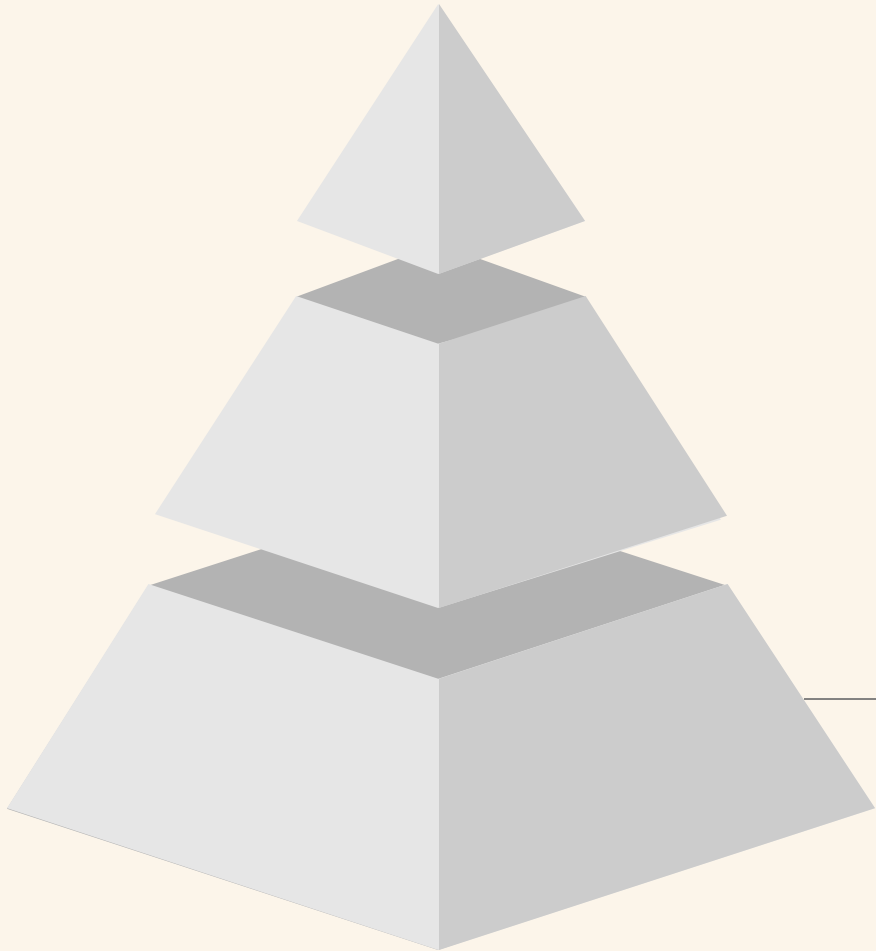
Individual Contributors focus on Time as input

- Focus on reducing costs
- Manage small budget
- “Do I have the budget”

I come to you about this \$2,000 bag.



Time vs. Value Hierarchy thought experiment:



Focus on time and cost



I can't afford a \$2,000 bag

Time vs. Value Hierarchy thought experiment:

Focus on Value and ROI

- What do I get?
- What's in the bag?
- Let me figure out what that thing is worth, and then determine if it's worth the investment of \$2,000 to get the thing.



Focus on time and cost

I can't afford a \$2,000 bag





This bag contains \$10,000
of gold and I'm going to
sell it to you for \$2,000



The value equation is much more obvious.

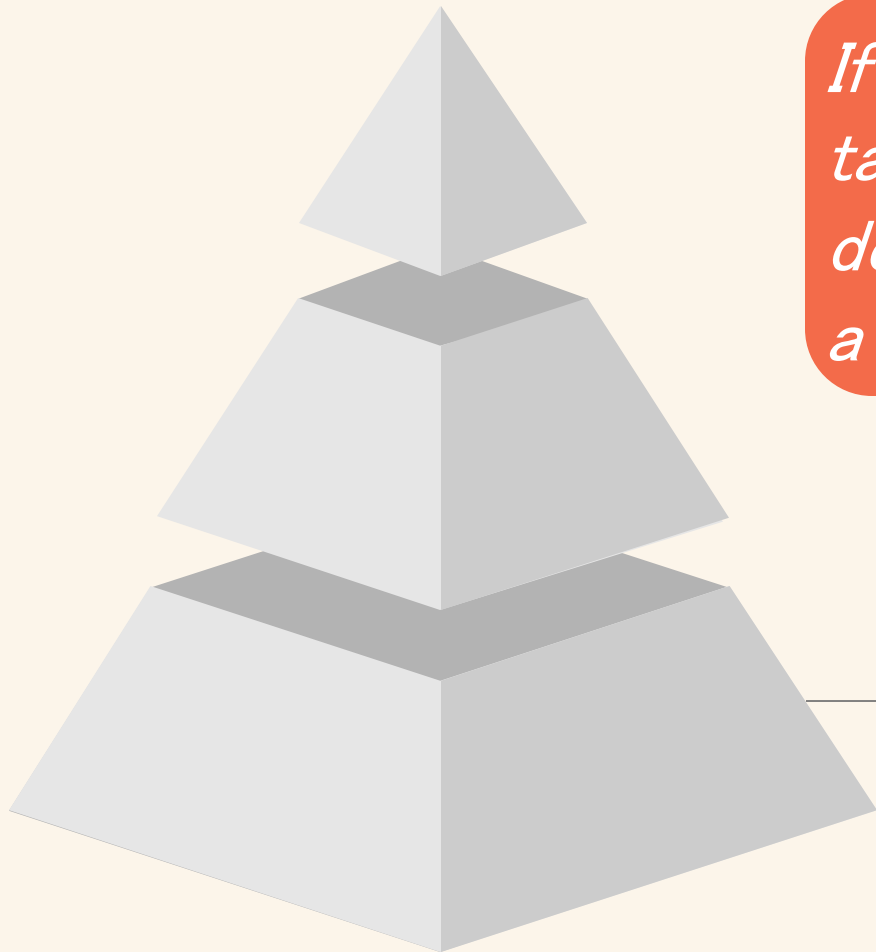
I just need to spend \$2,000 to get \$10,000.



This is also why prices
come last in proposal

To avoid sticker shock

Time vs. Value Hierarchy thought experiment:
I come to you and tell you this bag is a \$2,000 bag.



If the person you're talking to can't make that decision, you're already in a tough spot.



Focus on time and cost



We can't afford this

The big questions are twofold

- Lead qualification:
 - Who is the qualified buyer?
 - Am I attracting the qualified buyer?
 - **Am I attracting someone who asks "What's in the bag?" before they ask "How much does the bag cost?"**
 - Am I talking to someone like a PM or an engineer where they might have interest in your services but are ultimately not responsible for those decisions?
- Value capture
 - On top of that, do they capture the excess value of that \$8,000?



You know you're doing a good job because the conversation will transition from budget to Value and ROI

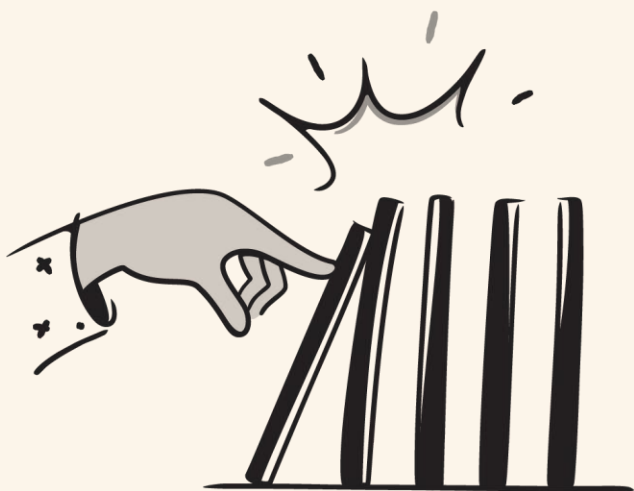


Value and ROI

- "How can I get this funded?"
- "What is the investment I'm going to make?"

Hourly cost and budget

- "Do I have the budget for this?"



Your ability to get paid depends directly on how responsible others believe you are for the final outcome.

Learn from My Consulting Mistake

- I was so obsessed with what I cost and what I wanted
- **I forgot to consider what others wanted.**
- Had I done that, I could have structured deals that focused more on capturing value and providing guarantees.



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Dream outcome

Probability of success

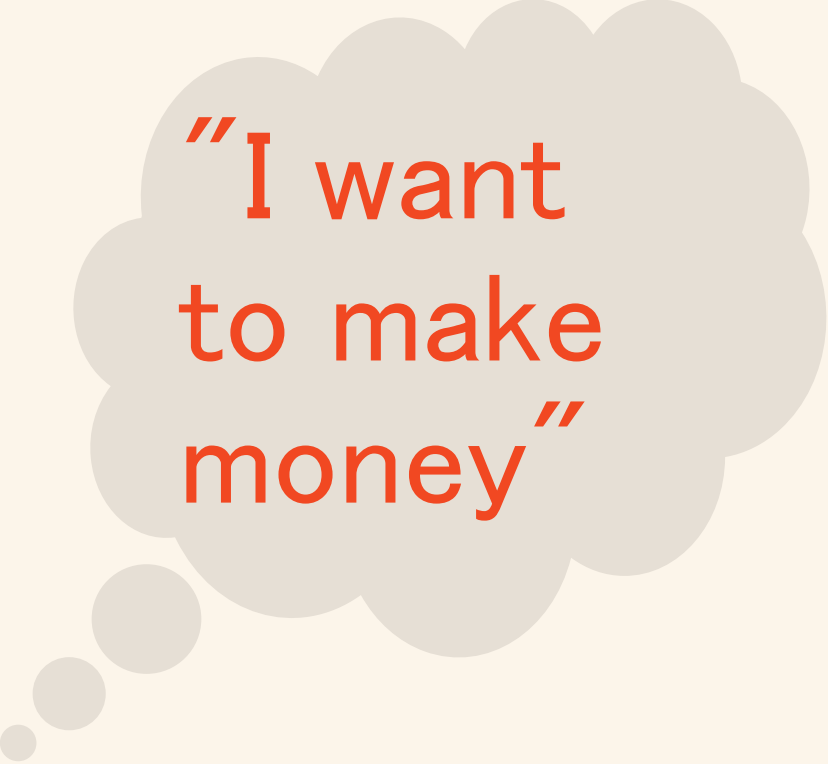
Time

Effort

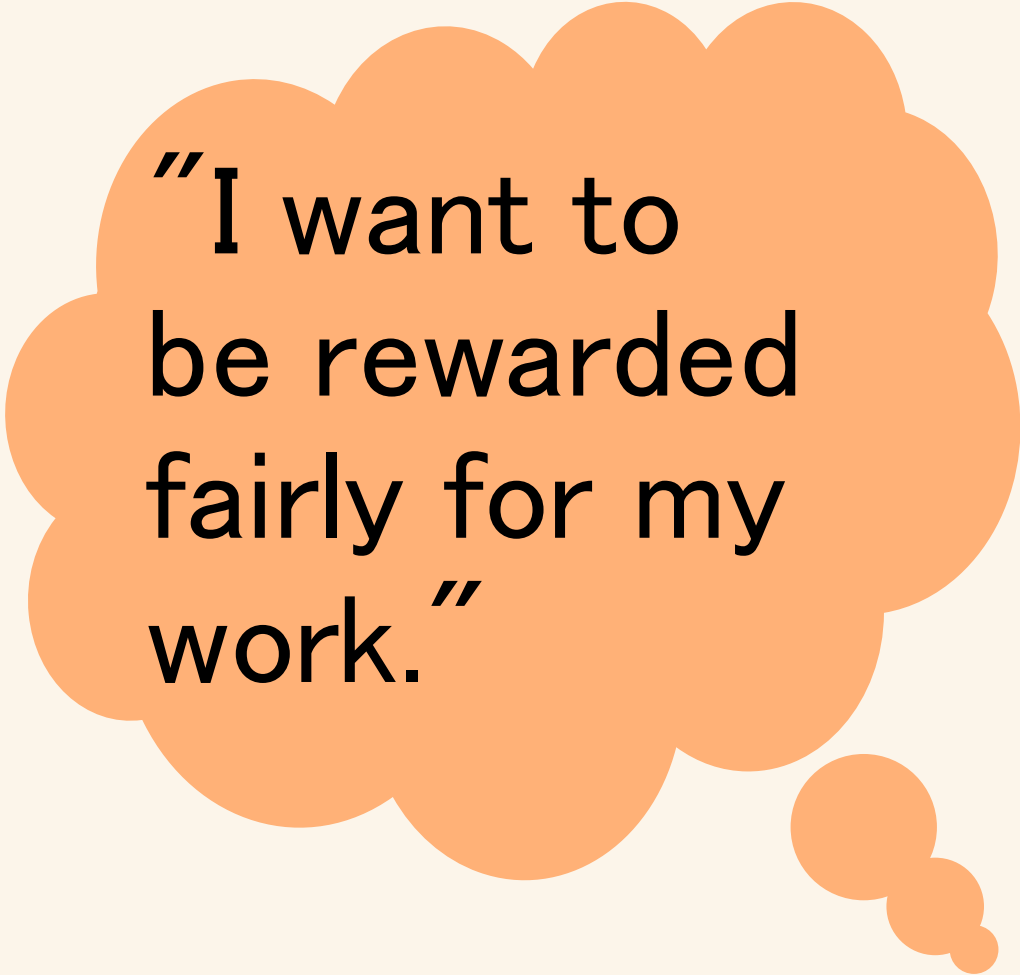
Example: Sean's story

Office hours

I quickly changed my mindset from



"I want
to make
money"



"I want to
be rewarded
fairly for my
work."

I quickly changed my mindset from

"I want
to make
money"

"I want to
be rewarded
fairly for my
work."

This ultimately changed how I did sales.

Day 3, I'll talk about the frameworks I use to actually
get the deal done.



So how do we actually
move up the hierarchy?

Let's revisit the value equation:

Source: Alex Hormozi

$$\text{Value} = \frac{\text{Dream outcome} \times \text{Probability of success}}{\text{Time} \times \text{Effort}}$$

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Just a show of hands

How many of you here have really asked or understand the question of what is at stake when engaging with a project?



How often do your conversations start with what you're going to do (the inputs), rather than the outputs of the system you're working on?

When there is nothing at stake, when there are no big issues, it goes back to the hotdog example.



These people just aren't that hungry.

It might be **nice to have you around**, but there's going to be **very little value** that you can capture or create.

Distinguish between qualified vs. unqualified buyer



Qualified buyer

- Focus on ROI
- Understand what is really at stake in the business
- **Will be able to command value-based pricing**

Unqualified buyer

- Focused on cost
- Does not understand what's really at stake in the business
- Will **not** be able to command value-based pricing

Once you understand what's at stake, you can ask questions
If you can grasp what the cost is, you can compare it to your own services' costs

Value and ROI

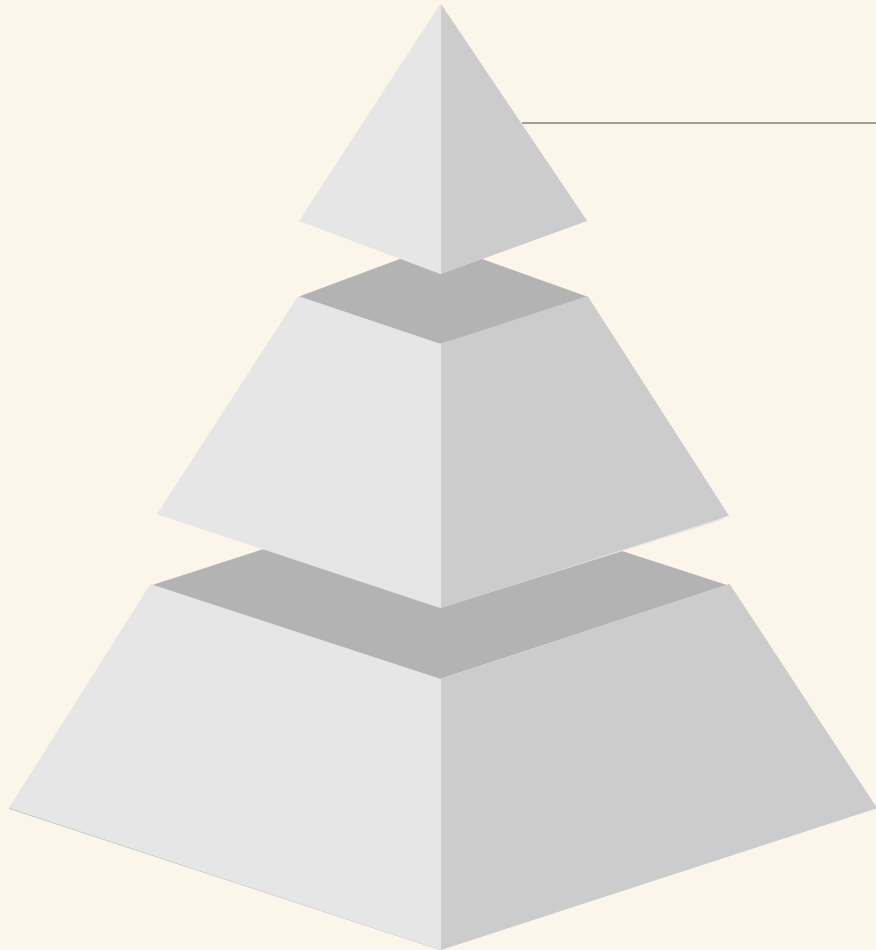
- What is it going to cost if this is not addressed?

You can start by asking them questions like:

- What have they tried in the past?
- What has worked?

Ultimately, the question you truly want to get down to is:

- If this engagement is successful, **what do you think will be the ROI of such a project?**
- What **percentage of the project are you looking to invest** to make it more likely to succeed?



Your presence can de-risk an outcome



New project potential
earnings: $\$1\text{M} \pm 500\text{k}$

My services are 10% of
earnings: $\$100\text{k}$

- Think in terms of the bias-variance tradeoff
- Think how your presence is supposed to de-risk an outcome.

You're supposed to be rewarded for that outcome.

If you're struggling to transition from time-based to at least project-based fees, my script is simple:

- I don't want every conversation to be an investment decision.
- I want to be available over email or Slack as much as possible.
- Time tracking isn't the best use of our time.
- I want to be rewarded fairly for the work I'm doing, and I want to win when you win.



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Let's revisit the value equation: Understanding probability of success

Source: Alex Hormozi

$$\text{Value} = \frac{\text{Dream outcome} \times \text{Probability of success}}{\text{Time} \times \text{Effort}}$$

From class 1, probability of success is:

- Testimonials
- Proof

The scope you can offer is determined by:

- Your confidence
- Your ability to demonstrate that you can deliver the dream outcome

As you write more and interact with clients, you'll build a repository of content.

Viral content that target the general public and are effective for lead generation

RAG is more than just embedding search

With the advent of large language models (LLM), retrieval augmented generation (RAG) has become a hot topic. However through the past year of [helping startups](#) integrate LLMs into their stack I've noticed that the pattern of taking user queries, embedding them, and directly searching a vector store is effectively demoware.

What is RAG?

Retrieval augmented generation (RAG) is a technique that uses an LLM to generate responses, but uses a search backend to augment the generation. In the past year using text embeddings with a vector databases has been the most popular approach I've seen being socialized.

Content that caters to a smaller audience but addresses a more specific pain

How to Lead AI Engineering Teams

Have you ever wondered why some teams seem to effortlessly deliver value while others stay busy but make no real progress?

I recently had a conversation that completely changed how I think about leading teams. While discussing team performance with a VP of Engineering who was frustrated with their team's slow progress, I suggested focusing on better standups and more experiments.

That's when Skylar Payne dropped a truth bomb that made me completely rethink everything:

"Leaders are living and breathing the business strategy through their meetings and context, but the people on the ground don't have any fucking clue what that is. They're kind of trying to read the tea leaves to understand what it is."

That moment was a wake-up call.

For example, I now have several blog posts about hiring



2024/04/08 · in [Software Engineering](#) · 5 min read

Hiring MLEs at early stage companies

Build fast, hire slow! I hate seeing companies make dumb mistakes, especially regarding hiring, and I'm not against full-time employment. Still, as a consultant, part-time engagements are often more beneficial to me, influencing my perspective on patterns in startup hiring practices: hiring too early and too cheap. Unfortunately, these patterns lead to startups hiring non-productive engineers, only to have them perform poorly and leave. It makes me wonder if startups are making early hiring decisions out of insecurity in trying to capture this current wave of AI talent too early in their life cycle.

How to Lead AI Engineering Teams

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SWE vs AI Engineering Standups

When I talk to engineering leaders struggling with the frustration: "Why is everything taking so long? Why can't we move faster?"

This frustration stems from a fundamental misunderstanding of AI engineering - it's applied research. And this changes everything about progress, goals, and team management. In a previous article I wrote about [communication](#) for AI teams. Today I want to talk about standups specifically.

The ticket is not the feature, the ticket is the experiment, the outcome is learning.

When I ask clients what they think about building a team, I can suggest they check out these articles.

I am...

- Providing proof of my expertise
- Demonstrating my understanding of their problem
- Simultaneously adding to their vision.

Then, I can expand the scope of their dream.

How to demonstrate the probability of success

Offer your prospects the opportunity to talk to existing customers as references

Effort into building out testimonials and case studies

Follow-up emails to show proof and links

List of trusted vendors and other experts that I can rely on



Be creative with setting
goals and timelines

You can even control
success through pricing

With a different structures, people may be more willing to pay

Personal trainer



Pay me 25% upfront and then 25% once you lose your first 10 pounds. And the rest after you hit your goals

Recruiter



Pay me 25% of salary only when the employee stays for 3+ months. No upfront payment

If this is the second question...

You might be asking...



Oh my god, Jason, what if that outcome doesn't happen?

This may be going wrong...

- You're probably not charging enough.
- Nothing is really at stake
- There may be a lack of alignment about the importance of the outcome

This could affect excitement about pushing towards it

Personal trainer example

I want to lose 10 lbs
for the sake of it



I want to lose 10 pounds
to fit into a wedding dress.



**Who is willing to
pay more?**

Personal trainer example

I guess I could lose 10 lbs maybe?



I want to lose 10 pounds to fit into a wedding dress



If it doesn't fit, I'll give you the money back, and I'll pay for your tailor.



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Effort

Example: Sean's story

Office hours

Let's revisit the value equation: Time

Source: Alex Hormozi

$$\text{Value} = \frac{\text{Dream outcome} \times \text{Probability of success}}{\text{Time} \times \text{Effort}}$$

Time is very interesting because we just talked about not charging based on time, but on value. However, things do take time.

For example: If I'm a farmer and plant seeds



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If it rains:

- The farmer shouldn't have to bill more hours for watering the plants.
- He shouldn't have to earn less for putting in less effort

If it doesn't rain:

- The farmer has to put in more effort
- He doesn't need to charge more.



Think of it this way:

There is value to be captured, and it **takes time to access that value**, not that the time itself has value.

Consider structuring guarantees where you're paid only if results are achieved within a certain timeframe.

Consultant

*Pay me 20% of sale only
if the deal is closed
within 3 months*



There is a future value
that's worth discussing.

These arrangements
are more complex and
advanced skills for
Slack discussion

Learn from My Consulting Mistake

This often represents an interesting challenge

- I thought I was limiting my financial upside myself up by charging an hourly rate
- I tried charging a monthly rate
- I ran into strange churn problems
- There were inevitably busier and slower months which felt weird



Ask yourself

Am I spending time



Am I being rewarded for
outcomes

This all changed once I started thinking about engagements. Instead of listing an hourly or monthly retainer price, I offer a minimum level of engagement on my site

My website copy:

If you're uncertain about the kind of value you might capture from your system, I'm available as a monthly retainer for \$9,500, with a 45-minute call every week.

For larger engagements, customers can expect to invest between \$60,000 to \$120,000 over a period of 4 to 5 months.

My approach:

- Anchors my price in a specific way while using the language of the word "investment."
- The goal is to convey that if you don't believe you'll return more than the amount of money you're putting in, don't talk to me.

This is based on my business growing consistently over time. However, you can set a smaller amount and again communicating something to the reader.

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This approach:

- The aim is not to show people I'm affordable, nor to appear too expensive
- It's simply the investment you're going to make.
- If you don't think the ROI is worth it, it's not a good fit.

Why I like this model: I had a client pay \$100,000 upfront for a discount. However...



I am nervous about the engagement since a month has passed and we haven't been able to properly onboard because of our rescheduling and time zones

I totally understand that this process has been delayed. Let's extend the engagement for two more months to account for the holidays

That sounds great. I appreciate the gestures



Why I like this model: I had a client pay \$100,000 upfront for a discount. However...



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This is what's possible with value-based pricing



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Let's revisit the value equation: Effort

Source: Alex Hormozi

$$\text{Value} = \frac{\text{Dream outcome} \times \text{Probability of success}}{\text{Time} \times \text{Effort}}$$

I can joke about how much money engineers cost or encourage people to read my blog.

However, it's ultimately about how quickly we can unblock ourselves.

How to provide ways that teams can reduce their efforts

Access to my expert network as part of my package

I use every evaluations framework and tool available (and I have a trusted set of tools)

I can bring people together. If you need expertise in a specific field or support with a tool, I can set up a meeting for you next week.

If you tell me your problems, I will find solutions or the expertise you need to get the work done.

Once you start asking these questions and breaking down these four variables, you're going to realize how little you're charging to begin with

Source: Alex Hormozi

$$\text{Value} = \frac{\text{Dream outcome} \times \text{Probability of success}}{\text{Time} \times \text{Effort}}$$

By addressing these variables, you can:

- Create an engagement that is much more palpable
- Write better blogs and content based on these four variables
- Apply the same approach for writing proposals

We'll dive deeper into proposals. As a sneak peak, this is what it may sound like



Thanks for chatting. It sounds like in the next couple of months, you're planning a large marketing effort to drive more revenue. If you can successfully hit 1 million ARR, you'll feel comfortable building out a raise for Series A. With only about three months before the end of the year, reaching this goal before year's end would set us up very well. However, to achieve the Series A, we might need to work on more hiring and recruiting to fill out the team. I can probably act as a strategic partner, working with the CTO to figure out what's technically possible and what would be an exciting roadmap, while also collaborating with the CEO as we enhance our recruiting capabilities.



We'll dive deeper into proposals. As a sneak peak, this is what it may sound like



It looks like this past month, you guys have gone viral. The tool has really blown up, and you were able to reach something like \$400,000 MRR. However, because the RAG application is hallucinating and having a bunch of issues, it's really hurting retention. We're losing around \$40,000 to \$80,000 a month just on churn. If we can set up good evaluations in the next two or three months and stop the bleeding, we'll be in a good position to reinvest the money in a couple of new hires and improve the product.



We'll dive deeper into proposals. As a sneak peak, this is what it may sound like



You came to me to ask if I could build a prototype for you. It sounds like the goal of this work isn't just to get the prototype but to show it in order to secure an \$800,000 contract to move forward with some of these larger engagements.



Learn from My Consulting Mistake

- The issue is you're too focused on wanting to hit some hourly rate or build the prototype
- You don't understand or see that the goal of the prototype is to achieve something bigger. It's to:
 - **Secure their first \$800,000 contract**
 - **Get their seed round**
 - **Attract investors**
 - **Use it as a proof of concept to bring more people onto the team**





There's always something bigger, and you need to quickly release yourself from thinking too much about the inputs of what you're doing.

Once I understand what those dreams and times entail, the second thing I want to figure out is what they look for in a partnership.



Why this matters:

- It will influence your ability to communicate the time and effort component.
- If you truly understand what they want through partnership, you can account for that in your pricing (concierge service vs. basic economy)

You'll hear me talk more about "pricing like an airline" later on, but for now, let's do another exercise.

How many people here ask their clients or customers what kind of partnership they are looking for?



How can I make you look good?

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Example: Sean's story

Office hours

Sean is a designer and charged his customer (an agency) \$3000/mo

They told me: “Oh, you should charge me a little bit more. I feel like that’s too little.”

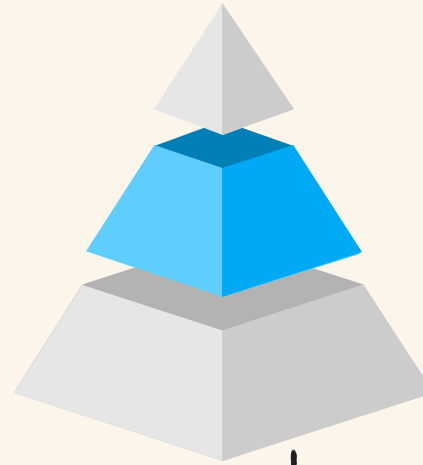
Should I just double my rate and ask for \$6,000?



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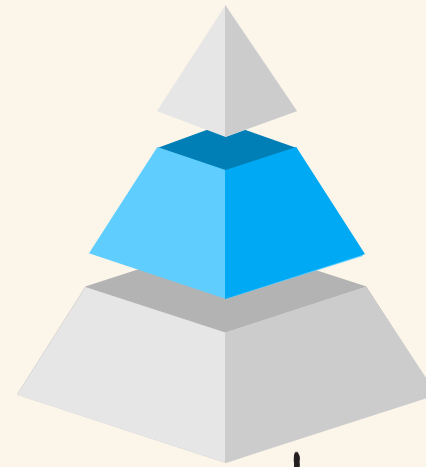
Should I just double my rate and ask for \$6,000?



You should ask them what they are looking for in a partnership.
Do they just want some help, or do you want to own the entire engagement?



A few days later...



You should ask them what they are looking for in a partnership.

Do they just want some help, or do you want to own the entire engagement?

It turns out the agency was very busy with a very large engagement

This other engagement was simply too small to allocate enough resources, but they already signed and they needed help to support.



Move up the pyramid



If there's a scenario where the agency is open to not even having to talk to the agency's customer, you should be asking for 70% of contract value

- The agency essentially receives a 30% commission/kickback on securing the customer and you can be ultimately responsible for the work

Move up the pyramid



There's a good chance that the engagement is a \$50,000, \$80,000, or even \$100,000 engagement.

- You can include guarantees to figure out whether the engagement was successful in the back end.
- This just shows how much bigger you can be thinking when it comes to capturing outcomes.

They might be willing to adopt this kind of affiliate-based system rather than just having a subcontractor.



If you don't ask these questions...

If you don't about what they're looking for in a partnership...

You'll never understand the true value of the engagement.

Your ability to ask questions, listen, and be curious about why they need help and what their burning pain is will get you rewarded for the work that you do.



They may be looking for an engagement because... someone is sick and they desperately need a backfill

Once you have a strong understanding of the dream and value of the outcome, then we can move on to the technical details, implementation, and cost structure

Consulting proposal

Technical details:

...

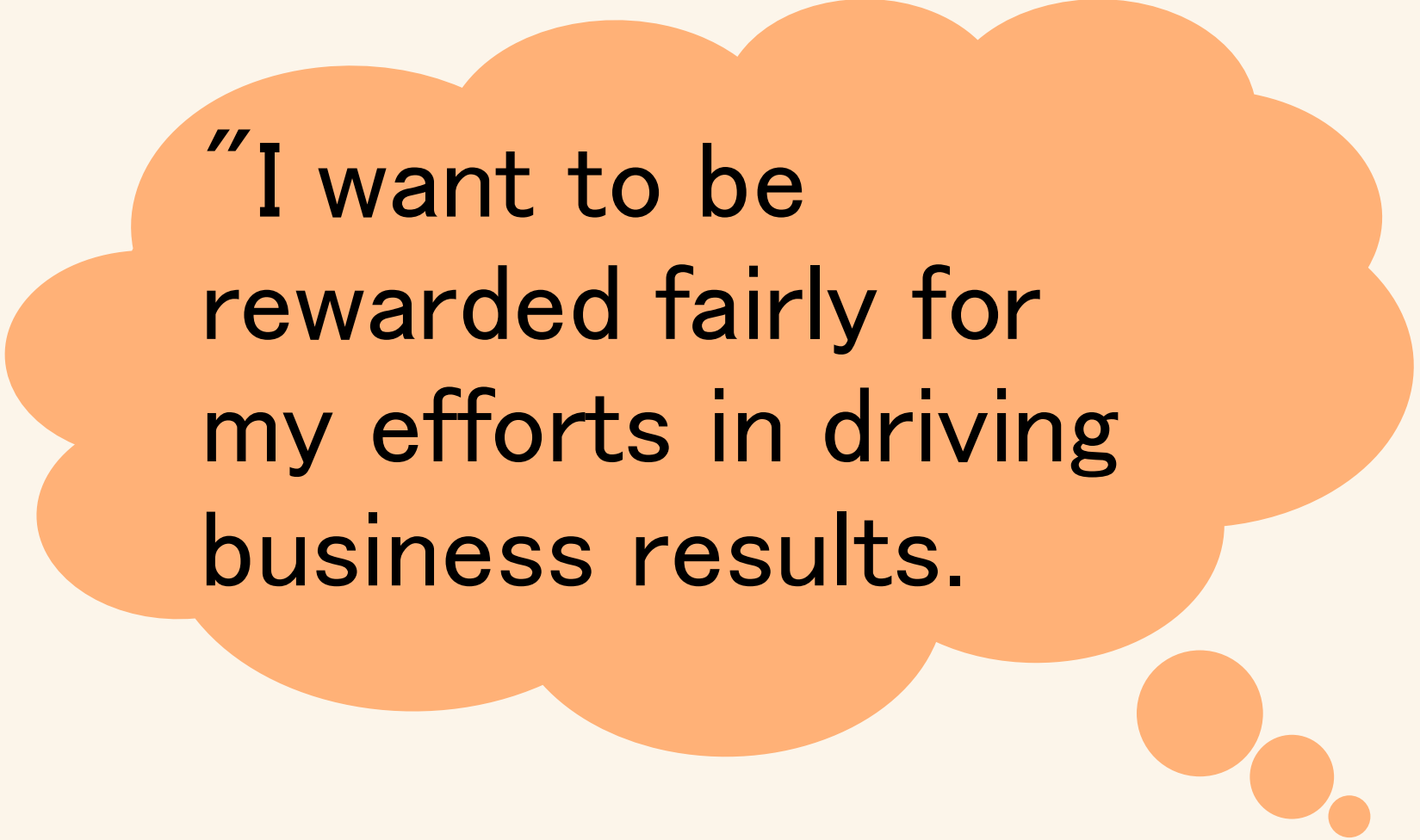
Implementation:

...

Cost structure:

...

Maintain this mindset

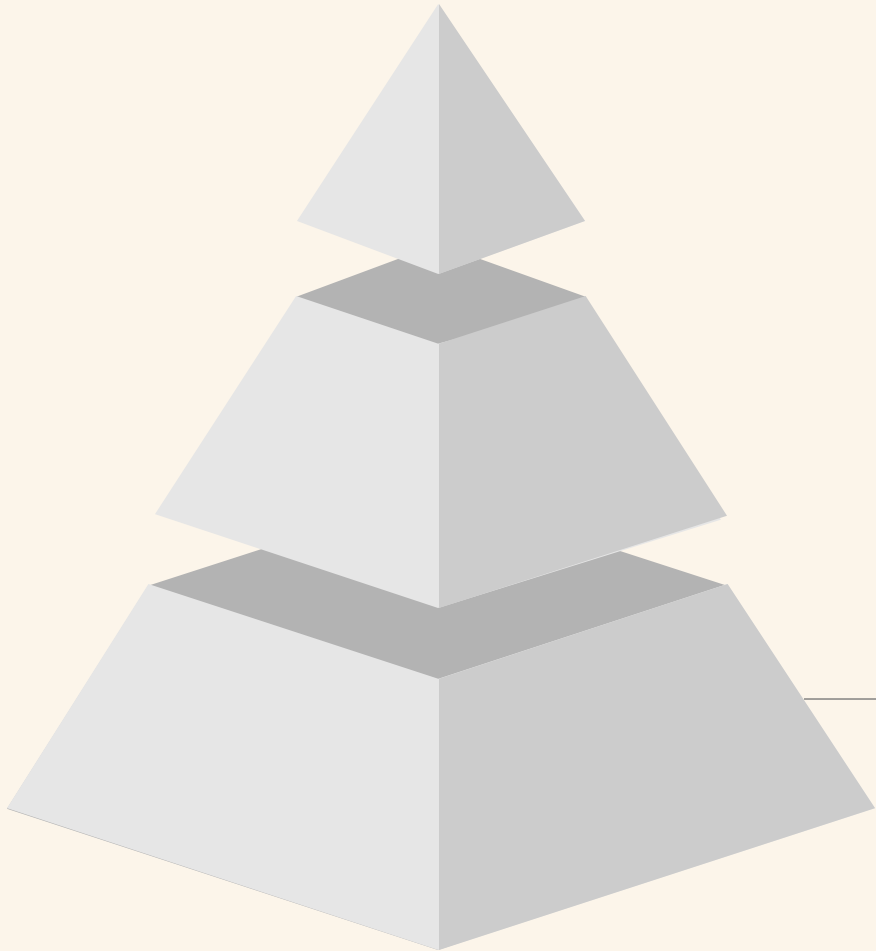


**"I want to be
rewarded fairly for
my efforts in driving
business results."**



There is a price where **both parties thank each other**

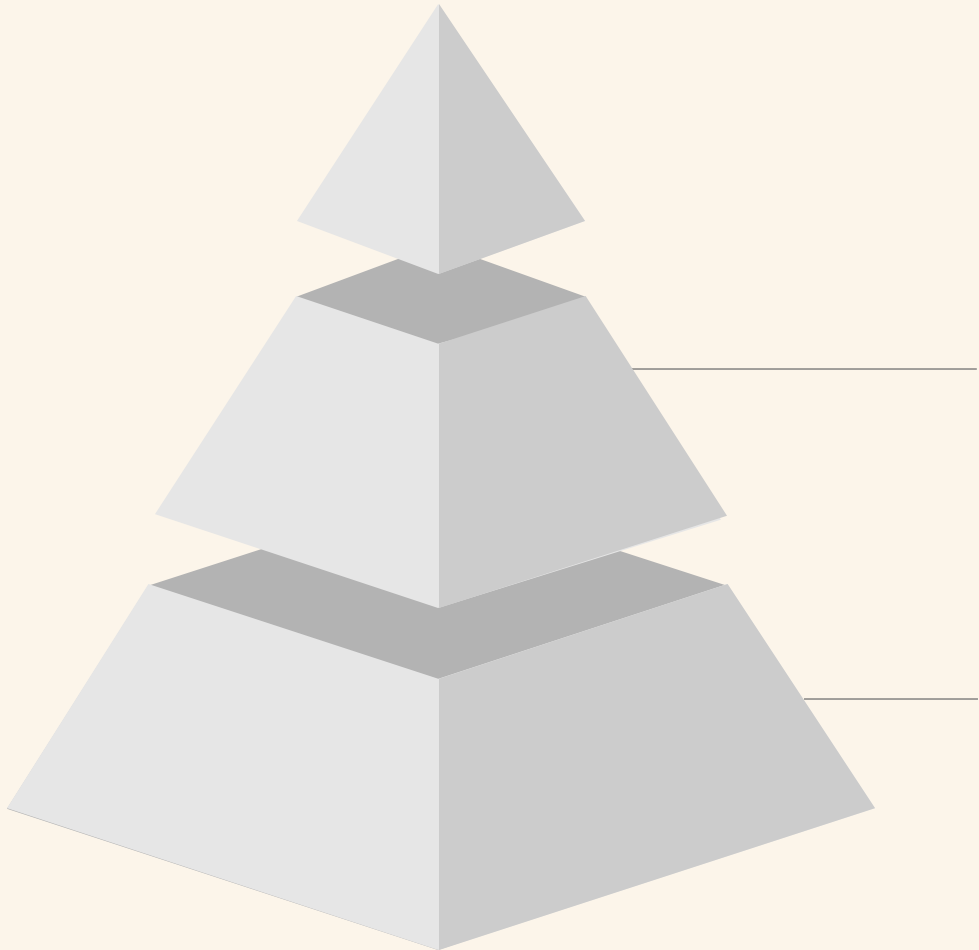
Example: I pay a writer to write my blog posts...



They charge me by the minute...

- Focused on inputs
- Does not understand what's really at stake in the business
- Will **not** be able to command value-based pricing

Example: I pay a writer to write my blog posts...



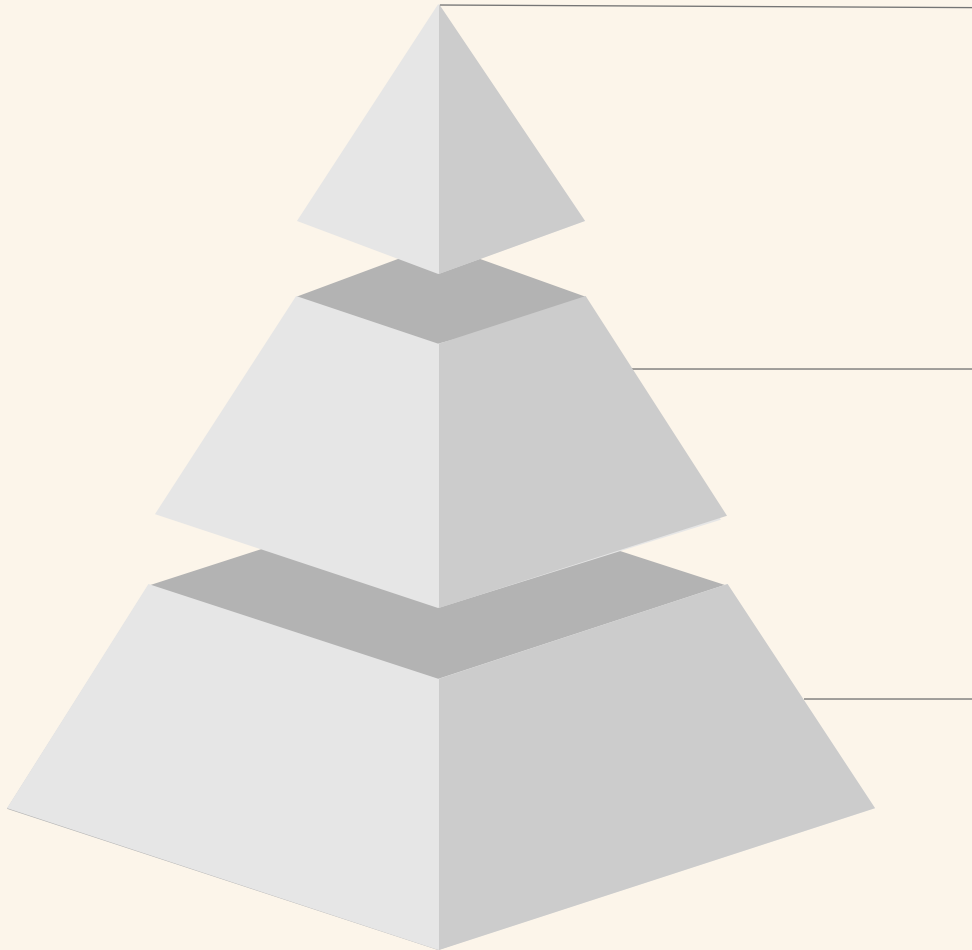
Imagine if they knew their goals were to drive better content and engagement...

- Instead of just sending me a blog post in a Google Doc, they promoted the blog post via Twitter, a newsletter, and found other newsletters to promote my content

They charge me by the minute...

- Focused on inputs
- Does not understand what's really at stake in the business
- Will **not** be able to command value-based pricing

Example: I pay a writer to write my blog posts...



Imagine if they knew writing was ultimately to drive revenue (e.g., through courses)

- They could interview me for content for the newsletter
- They could manage all the additional work for the course and then ask for a percentage of the course revenue.

Imagine if they knew their goals were to drive better content and engagement...

- Instead of just sending me a blog post in a Google Doc, they promoted the blog post via Twitter, a newsletter, and found other newsletters to promote my content

They charge me by the minute...

- Focused on inputs
- Does not understand what's really at stake in the business
- Will **not** be able to command value-based pricing

There's a question of whether or you want to productize your service.



If you do productize, it's true that you won't be able to offer this kind of personalization.

However, I still believe this is a fundamentally good exercise.

There's a question of whether or you want to productize your service.

I've spent \$30,000 to \$40,000 this year on productized services (and stayed with few)

Design agency example:

- Paid \$9,500 a month
- Found myself frustrated every time they take too long to respond or work too slowly because they are billing based on time



Remember, the key mindset shift today isn't just about making more money – it's about aligning your compensation with the value you create for clients

When you stop thinking in terms of hourly rates and start thinking in terms of outcomes, everything changes

Fundamental mindset shift towards value

Business fundamentals

Build your infrastructure early.

- Hiring isn't just about delegation – it's about **creating space for you to focus on high-value work**.
- This will give you invaluable perspective on what your clients experience.

Move up the hierarchy: From budget item to ROI

Focus on value and investment:

- Remember that mindset shift we discussed about the bag containing \$10,000 worth of gold being sold for \$2,000? That's the kind of value proposition you want to create

Orient sales towards the value equation

Be relentlessly curious about what's truly at stake for your clients.

- The question isn't 'What do they want me to build?' but rather **'What are they trying to achieve?'**
- Understanding this transforms how you position your services and structure your engagements.

Homework: When you clearly articulate the ROI of working with you, pricing becomes a much easier conversation.

Source: Alex Hormozi

$$\text{Value} = \frac{\text{Dream outcome} \times \text{Probability of success}}{\text{Time} \times \text{Effort}}$$

In the last session, we're going to get tactical about sales frameworks and how to close these deals.

We'll talk about how to structure proposals, handle objections, and guide conversations from value to actually accepting a proposal

Take one of your current or potential projects:

- Dig into those four variables we discussed and write your responses
- You'll be surprised at how much value you're creating that you're not capturing.

Agenda

Day 2 overview

Business fundamentals: What you learn from hiring for your business

Move up the hierarchy: From budget item to ROI

Orient sales and content toward The Value Equation

Example: Sean's story

Office hours